

Avalon Housing, Inc.  
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September 27, 2007

Mary Levine  
Director of Legal Affairs  
MSHDA  
735 E. Michigan Ave.  
Lansing, MI 48909

Re: Michigan's 2008-2009 Proposed QAP

Dear Ms. Levine:

I am submitting these comments on behalf of Avalon Housing, Inc., a non-profit developer, owner and manager of permanent supportive housing in Washtenaw County. I would like to thank you and MSHDA for the general direction of these changes as they align MSHDA's LIHTC priorities with key policy goals found in the Campaign to End Homelessness and the many 10-year plans to end homelessness adopted throughout Michigan. While my comments include suggestions for some modifications to your proposals, I certainly want to recognize and applaud MSHDA's increasing focus throughout the agency on providing housing for those most in need.

More specific comments include:

- I applaud the elimination of the lottery system for funding.
- I believe the cap of two applications per funding round from a sponsor is an advisable change.
- I understand the policy reasoning behind geographic targeting in the DHHP and PDC holdbacks. At the same time, the provision of extremely low-income units and/or supportive housing units in less distressed communities is a complementary policy goal that promotes housing integration and interrupts the market-driven displacement of poorer households. If this geographic targeting moves forward, I urge you to monitor the affect on both of these important housing policy goals.
- I believe the 20% special needs holdback is an important part of the Campaign to End Homeless as it focuses LIHTC resources on units designed for at-risk households.
- I am extremely supportive of the clarification in the Threshold Requirements section that allows supportive housing units to be occupied at turnover to avoid displacement of current tenants. I hope it is MSHDA's intent to use this rule for all acquisition/rehabilitation projects that have supportive housing units and not limit it to those units set aside under the 10% set aside rule.

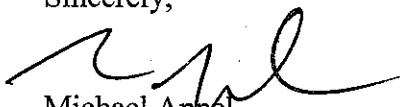


[www.avalonhousing.org](http://www.avalonhousing.org)

- While Avalon is not experienced in renting general population LIHTC units, I believe the 10% leasing priority set aside for supportive housing tenants is another example of MSHDA aligning resources across programs. I am confident there are shelter and service provision agencies that are able and willing to partner with LIHTC developers to meet the goal of this set aside.
- The QAP does not yet specify the percentage of units required for a development to be eligible in the supportive housing set-aside. I believe that increasing the requirement above 20% is sound housing policy and will strengthen the supportive housing sector in Michigan.
- The requirement to submit at least three letters from interested equity investors may prove cumbersome. For supportive housing projects in particular, there are a limited number of equity investors who are comfortable with the underwriting. (I have had at least two private investors look at projects that we were negotiating with non-profit focused syndicators and assure me that they were not particularly interested and certainly couldn't underwrite at the same level of investment.)
- I hope MSHDA will reconsider its proposal to exclude project reserves from the developer fee calculation. I understand that there are some transactions in which large reserves are simply transferred along with an existing low-income project during preservation. But for supportive housing projects, Operating Deficit Reserves represent a key strategy for affordability and project financial stability and are one of the reasons supportive housing development requires additional funding sources and, ultimately, more work. For this reason, the developer fee is reasonably related to these reserves. The language regarding the exclusion of reserves from the developer fee calculation is slightly different in the sections relating to projects subject to the state housing credit ceiling and those not subject to it—perhaps the language that excludes “certain project reserves” indicates MSHDA’s intent to differentiate between kinds of reserves in this calculation.

Again, I want to express my support for the overall direction of the proposed QAP. Through MSHDA’s Campaign to End Homelessness, the work being done through Regional Councils and Workgroups, and through the alignment of MSHDA resources throughout the organization (HARP vouchers, HOME funds, etc.), I believe Michigan will be even more effective at using its housing resources to eliminate homelessness.

Sincerely,



Michael Appel  
Executive Director